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RUEHFR/AMEMBASSY PARIS 2265  
RUEHRB/AMEMBASSY RABAT 1852  
RUEHRO/AMEMBASSY ROME 0417  
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C O N F I D E N T I A L SECTION 01 OF 02 ALGIERS 001001

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TAGS: [PTER](#) [ASEC](#) [CASC](#) [PINR](#) [AG](#)  
SUBJECT: AQIM FUNDING SOURCES

REF: A. JIR 18MAY2006  
[1](#)B. ALGIERS 950 (NOTAL)

Classified By: Charge d'Affaires, a.i. Thomas F. Daughton  
for reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY: According to European and Maghreb press reports, criminal activity is the traditional funding source for al-Qaeda in the Islamic Maghreb (AQIM). It is widely reported in the Algerian press that AQIM smuggles contraband to and from neighboring countries. In addition, AQIM extorts protection revenue by allowing passage through various AQIM zones. Journalists that closely follow AQIM claim that the group's cells engage in larceny in France and Spain, while kidnapping has become the favorite method in the wealthier areas of Algeria. Pledging allegiance to al-Qaeda has increased the number of young Algerian ideologues and technology-savvy European recruits. Journalists with good contacts within Algerian security services tell us that in Europe, these recruits are delving into sophisticated white collar crime to earn additional revenue. Journalists who do the best reporting on Islamist terrorism in Algeria tell us that increased funding has even allowed AQIM to purchase business enterprises that generate revenue. In light of that, the USG should consider assisting the GOA to improve its customs enforcement processes as well as mechanisms to monitor the banking sector. END SUMMARY.

Cigarettes, Guns and Kidnapping

[1](#)2. (C) On July 8, Echourouk el-Youmi editor Anis Rahmani (protect), who has good contacts among Algerian security services, recounted that funding networks date back to when the Salafist Group for Preaching and Combat (GSPC) was formally known as the Armed Islamic Group (GIA). Their smuggling networks for contraband involved many Tuareg tribesmen in southern Algeria and the border areas. GSPC's most lucrative terrorist act was the 2003 kidnapping of 32 tourists for ransom. (Note: The GSPC spent the USD 6.5 million kidnap ransom on surface-to-air missiles, heavy machine guns, mortars and satellite positioning equipment (ref A)). On June 23, Al Jazair News editor Hmida Ayachi emphasized that Tuareg tribes continue to do business with AQIM but out of economic necessity, not ideology.

[1](#)3. (C) On July 9, al-Bilad journalist Faycal Oukaci asserted that AQIM's five current domestic funding sources

are attacks on convoys, shake-downs/kidnappings, bank hold-ups, taxing farms, and levies on rich farmers and successful businessmen. Both Oukaci and Liberte journalist Mounir Boudjema agree that AQIM targets rich families and wealthy neighborhoods for kidnappings. Boudjema emphasized that kidnappings are accomplished with little fanfare or planning. Having spoken with kidnap victims, Oukaci claimed that ransoms generally range between USD 1-2 million in the Boumerdes area and negotiations take 1-2 days. On June 28, national police (DGSN) Director Ali Tounsi stated in the press that kidnappings have dramatically increased and become the main source of terrorist financing in Djelfa and Tizi Ouzou provinces.

¶4. (C) Rahmani told us July 8 that he agreed with a July 4 Liberte article that claimed AQIM conducted 89 kidnappings between March 2006 and June 2007 in the Kabylie region, garnering over 530 million dinars (USD 7.5 million). Oukaci and Rahmani disagreed, however, about Liberte's July 7 report that the intelligence service (the DRS) apprehended AQIM's alleged treasurer, "Rabah R." (aka Zakaria), and the claim that he collected over 40 million dinars (USD 5.7 million) in a period of three or four months. Oukaci stated that he believed that the timing of the announcement of Zakaria's arrest was too convenient, coming on the heels of a full-scale military operation in the area, and that the GOA needed to show it could "catch a big fish."

¶5. (C) Hmida Ayachi told PolOffs June 23 that AQIM had secured enough funds to purchase sand and gravel companies. Ayachi explained that sand and gravel are useful in concealing weapons during transport overland and by sea.

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Oukaci claimed to us on July 9 that AQIM has also purchased fast-food restaurants, real estate (land and buildings) and agricultural enterprises to earn more revenue. He provided the example of several buildings in the Boumerdes area (about 30 miles east of Algiers), where AQIM has become a landlord and collects rent. Oukaci added that AQIM has purchased farmland that it loans out to farmers, who pay back rent and a percentage of their profits.

#### Jewelry, Cars and Identity Theft

¶6. (C) The European press has widely reported that sympathizers in France and Spain provide AQIM with funding. Oukaci insisted on July 9, however, that the amounts raised by European cells are small compared to that raised through AQIM's domestic pursuits. During the GSPC days, European funding came from charitable organizations. But according to May 2 French press reports, many AQIM European fundraising activities now center on the sale of marijuana and on stealing jewelry and fancy cars. The Spanish newspaper La Razon reported on June 20 that AQIM cells steal jewelry from rich residences in both Spain and Switzerland. On July 8 Rahmani described how the jewelry is fenced and the money is washed through the Swiss banking system for a small commission. Rahmani referred to the May 1 Spanish newspaper El Pais report on the discovery of funds arriving from the Bahamas. The funds, destined for AQIM, were electronically laundered through shell companies, one being a Japanese technology company. Rahmani said that eventually the money filters back to Algeria in the form of cash. (Note: Given Algeria's tightly controlled yet antiquated financial sector, it is easy to believe that these transactions occur in cash. The large sums of money quoted by some of our contacts must be viewed with some skepticism. Use of companies for either bulk cash smuggling or over/under invoicing is a more likely tool. End Note.)

¶7. (C) AQIM recruiters in Europe prey on sons of immigrant families, who are isolated, disillusioned and impressionable (ref B). Oukaci warned PolOffs July 9 that

today's young Algerian recruits, whom he calls the "third generation," are more dangerous because they have swallowed al-Qaeda's ideology whole. He further explained that the main difference between Algerian-born and European-born recruits is the level of education. European members often have day jobs and join sleeper cells that may be rarely utilized. Rahmani said on July 8 that the younger European recruits are technology savvy and prefer to carry out white collar crime. He mentioned that in 2005, the British expelled nine Algerians, one of whom was caught with fake credit cards he had used to garner funds. European cells make use of document forgery and electronic theft to raise funds. Rahmani added that, on June 8, Italian authorities arrested several Moroccans operating in Italy. The Moroccans were allegedly providing funding and false identification documents to AQIM members in Algiers.

18. (C) None of our contacts could confirm GOA claims first reported in 2003 by the BBC that AQIM receives funding from Iran and Sudan.

19. (C) COMMENT: Although our sources' information is impossible to verify and is likely exaggerated, it seems clear that AQIM uses a variety of means, ranging from banditry to white-collar crime (including credit card crime), to raise funds. Existing USG technical assistance to enhance the work of the financial intelligence unit in Algeria will help address the country's immediate financial problems. We might also want to consider offering technical assistance in customs enforcement as well as mechanisms to improve monitoring of the formal banking sector as a way to fight terrorism.

DAUGHTON